

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, May 28, 2008

ADEQUACY OF NEW CONSTRUCTION GRANTS

PURPOSE OF REPORT

To discuss the adequacy of the New Construction Grants and to recommend a grant adjustment, in accordance with Education Code Section 17072.11.

BACKGROUND

Assembly Bill (AB) 127, Chapter 35, Statutes of 2006 (Perata/Nunez) increased the New Construction Grant by seven percent for elementary and middle school projects and four percent for high school projects beginning July 1, 2006. AB 127 also authorizes the State Allocation Board (SAB), beginning January 1, 2008, to annually increase or decrease the new construction per pupil base grant amount based on an analysis of the current costs to build a school. An increase can be up to six percent; a decrease is unlimited. It is important to note that the grant amounts are adjusted each January for the Construction Cost Index (CCI). The 2008 CCI adjustment resulted in a 3.19 percent increase to the new construction grant.

In order to meet the deadline for the statutorily required analysis, the Office of Public School Construction (OPSC) contracted with the Macias Consulting Group (MCG) to develop a methodology and complete an independent grant adequacy study. The MCG developed its methodology in consultation with the Legislative Analyst's Office, the Division of the State Architect, the Office of Statewide Audits and Evaluations, and the education section of the Department of Finance. The MCG also met with the California Department of Education (CDE) to discuss their concerns, and the proposed methodology was further refined after it was vetted at a publicly noticed open meeting on October 5, 2007. The MCG presented its methodology to the SAB at the October 2007 meeting.

The MCG presented its findings on the adequacy of the New Construction Grant at the January 2008 SAB meeting. The report analyzed three data sets: a total of 266 schools built between 1999 and 2007, 46 schools identified by the CDE as having the essential components of a complete school, and 86 schools that self-reported data.

In order to verify the study, the Legislative Analyst's Office, as the nonpartisan fiscal and policy advisor to the Legislature, was provided with the data sets to validate the study's findings.

AUTHORITY

Education Code (EC) Section 17072.11(a)(3) states, "The board shall conduct an analysis of the relationship between the per-unhoused-pupil grant eligibility determined under this article and the per-pupil cost of new school construction for elementary, middle, and high school pupils."

EC Section 17072.11(b) states, "On or after January 1, 2008, the board shall increase or decrease the per-unhoused-pupil grant eligibility by amounts it deems necessary to cause the grants to correspond to costs of new school construction, provided that the increase in any fiscal year pursuant to this section shall not exceed 6 percent."

STAFF COMMENTS

At the January 2008 meeting, the Board requested that a working group be started to delve into the report to attempt to achieve a better understanding and come back with a recommendation to the Board. A meeting was held on February 28, 2008 to discuss the outcome of the report and to discuss the data that was used.

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STAFF COMMENTS (cont.)

Throughout the process, concerns were raised about the quality of the data in the study. Recent reports on this topic brought forward by interested parties have reached different conclusions than the Macias report based on their own data. The difference in the data used in these various reports and their differing conclusions underscore the need for good, quality data regularly reported from the field to assist the Board with this annual responsibility. Staff believes that the recently adopted Project Information Worksheet will resolve the data collection issues. Nevertheless, Staff believes that a six percent increase can be justified as we proceed with data collection efforts.

The SAB stipulated that all new construction apportionments in 2008 remain open pending the determination of the adequacy of the New Construction Grants. Therefore, if the Board approves a six percent adjustment at today's meeting, Staff recommends bringing the new construction projects funded in 2008 and in today's agenda back to the June SAB meeting in the consent agenda for an adjustment.

RECOMMENDATIONS

1. Approve a new construction per pupil grant increase of six percent.
2. Authorize Staff to present the new construction projects that have previously received funding in 2008 and that are presented in today's agenda to the June SAB meeting in the consent agenda for an adjustment.

BOARD ACTION

In considering this item, the State Allocation Board approved staff's recommendations and requested staff to present this item on an annual basis. In addition, the Board requested staff to collect sound data in order to satisfy the need to know the costs to construct schools.